

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
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January 15, 2003

Mr. John Twitty, Controller
Health Management Resources
101 Grace Drive
Easley, South Carolina 29640

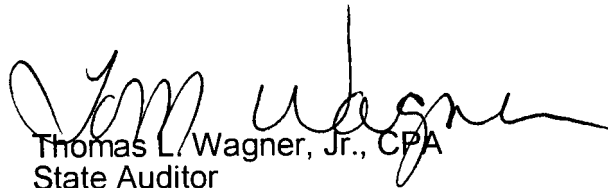
Re: AC# 3-HER-F0 – Hermina Traeye Nursing Center, Inc.

Dear Mr. Twitty:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period December 17, 1999 through June 30, 2000. That report was used to set the rate covering the contract periods beginning December 17, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph P. Hayes

HERMINA TRAEYE NURSING CENTER, INC.

JOHNS ISLAND, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING DECEMBER 17, 1999
AC# 3-HER-F0**

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

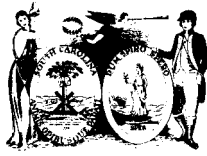
STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 19, 2002

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Hermina Traeye Nursing Center, Inc., for the contract periods beginning December 17, 1999, and for the cost report period ended June 30, 2000, as set forth in the accompanying schedules. The management of Hermina Traeye Nursing Center, Inc. is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

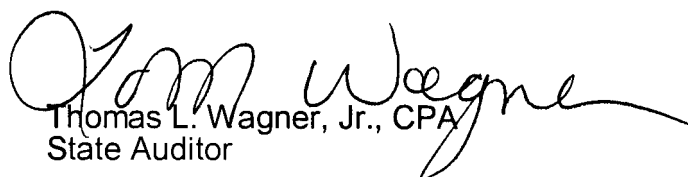
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Hermina Traeye Nursing Center, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summaries of Costs and Total Patient Days, and Cost of Capital Reimbursement Analyses sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Hermina Traeye Nursing Center, Inc. dated as of December 17, 1999 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
July 19, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.


Thomas L. Wagner, Jr., CPA
State Auditor

HERMINA TRAEYE NURSING CENTER, INC.

Computation of Rate Change
For the Contract Periods
Beginning December 17, 1999
AC# 3-HER-F0

	<u>12/17/99- 06/30/00</u>	<u>07/01/00- 09/30/00</u>	<u>10/01/00- 09/30/01</u>
Interim Reimbursement Rate (1)	\$118.41	\$91.88	\$95.32
Adjusted Reimbursement Rate	<u>114.57</u>	<u>78.89</u>	<u>79.29</u>
Decrease in Reimbursement Rate	\$ <u><u>3.84</u></u>	\$ <u><u>12.99</u></u>	\$ <u><u>16.03</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

HERMINA TRAEYE NURSING CENTER, INC.
Computation of Adjusted Reimbursement Rate
For the Contract Period December 17, 1999 Through June 30, 2000
AC# 3-HER-F0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 67.10	\$52.97	
Dietary		12.69	11.72	
Laundry/Housekeeping/Maintenance		<u>16.77</u>	<u>9.97</u>	
Subtotal	\$ <u>-</u>	96.56	74.66	\$ 74.66
Administration & Medical Records	\$ <u>-</u>	<u>20.82</u>	<u>13.99</u>	<u>13.99</u>
Subtotal		117.38	<u>\$88.65</u>	88.65
<u>Costs Not Subject to Standards:</u>				
Utilities		3.89		3.89
Special Services		.60		.60
Medical Supplies & Oxygen		7.17		7.17
Taxes and Insurance		2.06		2.06
Legal Fees		<u>.07</u>		<u>.07</u>
TOTAL		<u>\$131.17</u>		102.44
Inflation Factor (N/A)				-
Cost of Capital				14.42
Cost of Capital Limitation				(2.29)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>-</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$114.57</u>

HERMINA TRAEYE NURSING CENTER, INC.
Computation of Adjusted Reimbursement Rate
For the Contract Period July 1, 2000 Through September 30, 2000
AC# 3-HER-F0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$34.46	\$43.78	
Dietary		6.52	9.69	
Laundry/Housekeeping/Maintenance		<u>8.61</u>	<u>8.24</u>	
Subtotal	\$ <u>4.32</u>	49.59	61.71	\$49.59
Administration & Medical Records	\$ <u>.87</u>	<u>10.69</u>	<u>11.56</u>	<u>10.69</u>
Subtotal		60.28	<u>\$73.27</u>	60.28
<u>Costs Not Subject to Standards:</u>				
Utilities		2.00		2.00
Special Services		.60		.60
Medical Supplies & Oxygen		3.74		3.74
Taxes and Insurance		1.06		1.06
Legal Fees		<u>.03</u>		<u>.03</u>
TOTAL		<u>\$67.71</u>		67.71
Inflation Factor (3.00%)				2.03
Cost of Capital				7.40
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				.87
Cost Incentive				4.32
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(3.44)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$78.89</u>

HERMINA TRAEYE NURSING CENTER, INC.
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2000 Through September 30, 2001
AC# 3-HER-F0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$34.46	\$46.47	
Dietary		6.52	10.12	
Laundry/Housekeeping/Maintenance		<u>8.61</u>	<u>8.88</u>	
Subtotal	<u>\$4.58</u>	49.59	65.47	\$49.59
Administration & Medical Records	<u>\$ -</u>	<u>10.69</u>	<u>10.55</u>	<u>10.55</u>
Subtotal		60.28	<u>\$76.02</u>	60.14
<u>Costs Not Subject to Standards:</u>				
Utilities		2.00		2.00
Special Services		.60		.60
Medical Supplies & Oxygen		3.74		3.74
Taxes and Insurance		1.06		1.06
Legal Fees		<u>.03</u>		<u>.03</u>
TOTAL		<u>\$67.71</u>		67.57
Inflation Factor (3.20%)				2.16
Cost of Capital				7.35
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				4.58
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.83)
Nurse Aide Staffing Add-On 10/01/00				<u>.46</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$79.29</u>

HERMINA TRAEYE NURSING CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended June 30, 2000
For the Contract Period December 17, 1999 Through June 30, 2000
AC# 3-HER-F0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$ 827,461	\$ 2,021 (11) 237 (11)	\$ 16,485 (6) 6,315 (12) 369 (12)	\$ 806,550
Dietary	152,853	290 (11)	653 (12)	152,490
Laundry	50,173	-	-	50,173
Housekeeping	78,160	2,142 (11)	-	80,302
Maintenance	70,906	3,208 (11)	2,750 (5) 230 (12)	71,134
Administration & Medical Records	251,506	5,892 (11) 276 (11)	3,667 (5) 2,940 (7) 704 (12) 89 (12)	250,274
Utilities	46,224	525 (11)	-	46,749
Special Services	15,125	-	1,356 (1) 6,615 (2)	7,154
Medical Supplies & Oxygen	86,695	909 (12)	1,433 (1)	86,171
Taxes and Insurance	54,849	161 (11) 694 (13)	5,501 (4) 25,500 (8)	24,703

HERMINA TRAEYE NURSING CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended June 30, 2000
For the Contract Period December 17, 1999 Through June 30, 2000
AC# 3-HER-F0

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Legal Fees	14	786 (11)	-	800
Cost of Capital	154,833	1,561 (11) 2,009 (14) <u>35,748 (15)</u>	20,861 (9)	173,290
Subtotal	1,788,799	56,459	95,468	1,749,790
Ancillary	46,431	-	-	46,431
Non-Allowable	163,958	2,789 (1) 6,615 (2) 2,940 (7) 25,500 (8) <u>7,451 (12)</u>	694 (13) 2,009 (14) 35,748 (15)	170,802
Total Operating Expenses	<u>\$1,999,188</u>	<u>\$101,754</u>	<u>\$133,919</u>	<u>\$1,967,023</u>
Total Patient Days	<u>12,025</u>	<u>-</u>	<u>5 (10)</u>	<u>12,020</u>
Total Beds	<u>132</u>			

HERMINA TRAEYE NURSING CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended June 30, 2000
For the Contract Period July 1, 2000 Through September 30, 2000
AC# 3-HER-F0

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$ 827,461	\$ 2,021 (11) 237 (11)	\$ 16,485 (6) 6,315 (12) 369 (12)	\$ 806,550
Dietary	152,853	290 (11)	653 (12)	152,490
Laundry	50,173	-	-	50,173
Housekeeping	78,160	2,142 (11)	-	80,302
Maintenance	70,906	3,208 (11)	2,750 (5) 230 (12)	71,134
Administration & Medical Records	251,506	5,892 (11) 276 (11)	3,667 (5) 2,940 (7) 704 (12) 89 (12)	250,274
Utilities	46,224	525 (11)	-	46,749
Special Services	15,125	-	1,013 (3)	14,112
Medical Supplies & Oxygen	86,695	909 (12)	-	87,604
Taxes and Insurance	54,849	161 (11) 694 (13)	5,501 (4) 25,500 (8)	24,703

HERMINA TRAEYE NURSING CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended June 30, 2000
For the Contract Period July 1, 2000 Through September 30, 2000
AC# 3-HER-F0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Legal Fees	14	786 (11)	-	800
Cost of Capital	175,013	1,561 (11) 2,009 (14) <u>15,568 (16)</u>	20,861 (9)	173,290
Subtotal	1,808,979	36,279	87,077	1,758,181
Ancillary	46,431	-	-	46,431
Non-Allowable	143,778	1,013 (3) 2,940 (7) 25,500 (8) <u>7,451 (12)</u>	694 (13) 2,009 (14) 15,568 (16)	162,411
Total Operating Expenses	<u>\$1,999,188</u>	<u>\$73,183</u>	<u>\$105,348</u>	<u>\$1,967,023</u>
Total Patient Days	<u>23,404</u>	<u>-</u>	<u>-</u>	<u>23,404</u>
Total Beds	<u>132</u>			

HERMINA TRAEYE NURSING CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended June 30, 2000
For the Contract Period October 1, 2000 Through September 30, 2001
AC# 3-HER-F0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$ 827,461	\$ 2,021 (11) 237 (11)	\$ 16,485 (6) 6,315 (12) 369 (12)	\$ 806,550
Dietary	152,853	290 (11)	653 (12)	152,490
Laundry	50,173	-	-	50,173
Housekeeping	78,160	2,142 (11)	-	80,302
Maintenance	70,906	3,208 (11)	2,750 (5) 230 (12)	71,134
Administration & Medical Records	251,506	5,892 (11) 276 (11)	3,667 (5) 2,940 (7) 704 (12) 89 (12)	250,274
Utilities	46,224	525 (11)	-	46,749
Special Services	15,125	-	1,013 (3)	14,112
Medical Supplies & Oxygen	86,692	909 (12)	-	87,601
Taxes and Insurance	54,849	161 (11) 694 (13)	5,501 (4) 25,500 (8)	24,703

HERMINA TRAEYE NURSING CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended June 30, 2000
For the Contract Period October 1, 2000 Through September 30, 2001
AC# 3-HER-F0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Legal Fees	14	786 (11)	-	800
Cost of Capital	174,545	1,561 (11) 2,009 (14) <u>14,791 (17)</u>	20,861 (9)	172,045
Subtotal	1,808,508	35,502	87,077	1,756,933
Ancillary	46,431	-	-	46,431
Non-Allowable	144,249	1,013 (3) 2,940 (7) 25,500 (8) <u>7,451 (12)</u>	694 (13) 2,009 (14) 14,791 (17)	163,659
Total Operating Expenses	<u>\$1,999,188</u>	<u>\$72,406</u>	<u>\$104,571</u>	<u>\$1,967,023</u>
Total Patient Days	<u>23,404</u>	<u>-</u>	<u>-</u>	<u>23,404</u>
Total Beds	<u>132</u>			

HERMINA TRAEYE NURSING CENTER, INC.
Adjustment Report
Cost Report Period Ended June 30, 2000
AC# 3-HER-F0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Special Services Medical Supplies	\$ 2,789	\$ 1,356 1,433
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
	(This adjustment applies to the rate period 12/17/99 - 6/30/00 only)		
2	Nonallowable Special Services	6,615	6,615
	To adjust co-insurance for Medicare Part B services State Plan, Attachment 4.19D		
	(This adjustment applies to the rate period 12/17/99 - 6/30/00 only)		
3	Nonallowable Special Services	1,013	1,013
	To adjust co-insurance for Medicare Part B services State Plan, Attachment 4.19D		
	(This adjustment applies to the rate period 7/1/00 - 9/30/01 only)		
4	Prepaid Taxes and Licenses Taxes and Insurance	5,501	5,501
	To remove expenses applicable to the subsequent period HIM-15-1, Section 2302.1 State Plan, Attachment 4.19D		
5	Deferred Start Up Costs Maintenance Administration	6,417	2,750 3,667
	To properly charge start up costs HIM-15-1, Section 2132 State Plan, Attachment 4.19D		

HERMINA TRAEYE NURSING CENTER, INC.
Adjustment Report
Cost Report Period Ended June 30, 2000
AC# 3-HER-F0

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Fixed Assets Nursing	16,485	16,485
	To properly record capital asset HIM-15-1, Section 100 State Plan, Attachment 4.19D		
7	Nonallowable Administration	2,940	2,940
	To reclassify expense to the proper cost center HIM-15-1, Section 2300 State Plan, Attachment 4.19D		
8	Nonallowable Taxes and Insurance	25,500	25,500
	To adjust property taxes HIM-15-1, Section 2302.1 State Plan, Attachment 4.19D		
9	Other Equity Accumulated Depreciation Fixed Assets Cost of Capital	241,698 563,050	783,887 20,861
	To adjust fixed assets and related depreciation State Plan, Attachment 4.19D		
10	<u>Memo Adjustment</u> To decrease patient days by 5 from 12,025 to 12,020 days HIM-15-1, Section 2300 (This adjustment applies to the rate period 12/17/99 - 6/30/00 only)		

HERMINA TRAEYE NURSING CENTER, INC.
Adjustment Report
Cost Report Period Ended June 30, 2000
AC# 3-HER-F0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Nursing	2,021	
	Restorative	237	
	Dietary	290	
	Housekeeping	2,142	
	Maintenance	3,208	
	Administration	5,892	
	Medical Records	276	
	Legal	786	
	Utilities	525	
	Taxes and Insurance	161	
	Cost of Capital	1,561	
	Start Up Cost		17,099
	To record start up cost amortization		
	HIM-15-1, Section 2132		
	State Plan, Attachment 4.19D		
12	Nonallowable	7,451	
	Medical Supplies	909	
	Nursing		6,315
	Restorative		369
	Dietary		653
	Maintenance		230
	Administration		704
	Medical Records		89
	To adjust fringe benefits and related		
	allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
13	Taxes and Insurance	694	
	Nonallowable		694
	To adjust insurance		
	HIM-15-1, Sections 2304 and 2132		
	State Plan, Attachment 4.19D		
14	Cost of Capital	2,009	
	Nonallowable		2,009
	To adjust depreciation expense to		
	comply with capital cost policy		
	State Plan, Attachment 4.19D		

HERMINA TRAEYE NURSING CENTER, INC.
Adjustment Report
Cost Report Period Ended June 30, 2000
AC# 3-HER-F0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
15	Cost of Capital Nonallowable	35,748	35,748
	To adjust capital return State Plan, Attachment 4.19D (This adjustment applies to the rate period 12/17/99 - 6/30/00 only)		
16	Cost of Capital Nonallowable	15,568	15,568
	To adjust capital return State Plan, Attachment 4.19D (This adjustment applies to the rate period 7/1/99 - 9/30/00 only)		
17	Cost of Capital Nonallowable	14,791	14,791
	To adjust capital return State Plan, Attachment 4.19D (This adjustment applies to the rate period 10/1/00 - 9/30/00 only)		
	TOTAL ADJUSTMENTS	<u>\$966,277</u>	<u>\$966,277</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

HERMINA TRAEYE NURSING CENTER, INC.
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended June 30, 2000
 For the Contract Period December 17, 1999 Through June 30, 2000
 AC# 3-HER-F0

	<u>Old Beds</u>	<u>New Beds</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.2493</u>	<u>2.2493</u>	
Deemed Asset Value (Per Bed)	35,130	35,130	
Number of Beds	<u>88</u>	<u>44</u>	
Deemed Asset Value	3,091,440	1,545,720	
Improvements Since 1981	172,578	26,688	
Accumulated Depreciation at 6/30/00	<u>(1,143,694)</u>	<u>(189,681)</u>	
Deemed Depreciated Value	2,120,324	1,382,727	
Market Rate of Return	<u>.063</u>	<u>.063</u>	
Total Annual Return	133,580	87,112	
Number of Days in Period	<u>197/366</u>	<u>197/366</u>	
Adjusted Annual Return	71,900	46,888	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	71,900	46,888	
Depreciation Expense	31,760	21,221	
Amortization Expense	1,041	520	
Capital Related Income Offsets	(27)	(13)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	104,674	68,616	\$173,290
Total Patient Days (Actual)	<u>8,013</u>	<u>4,007</u>	<u>12,020</u>
Cost of Capital Per Diem	\$ <u>13.06</u>	\$ <u>17.12</u>	\$ <u>14.42</u>

HERMINA TRAEYE NURSING CENTER, INC.
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended June 30, 2000
 For the Contract Period December 17, 1999 Through June 30, 2000
 AC# 3-HER-F0

	<u>Old Beds</u>	<u>New Beds</u>
6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$5.65	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$9.64</u>	<u>\$17.12</u>
Reimbursable Cost of Capital Per Diem *		\$12.13
Cost of Capital Per Diem		<u>14.42</u>
Cost of Capital Per Diem Limitation		\$ <u>(2.29)</u>

* $((8,013 \times \$9.64) + \$68,616) / 12,020 = \$12.13$

HERMINA TRAEYE NURSING CENTER, INC.
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended June 30, 2000
 For the Contract Period July 1, 2000 Through September 30, 2000
 AC# 3-HER-F0

	<u>Old Beds</u>	<u>New Beds</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.2493</u>	<u>2.2493</u>	
Deemed Asset Value (Per Bed)	35,130	35,130	
Number of Beds	<u>88</u>	<u>44</u>	
Deemed Asset Value	3,091,440	1,545,720	
Improvements Since 1981	172,578	26,688	
Accumulated Depreciation at 6/30/00	<u>(1,143,694)</u>	<u>(189,681)</u>	
Deemed Depreciated Value	2,120,324	1,382,727	
Market Rate of Return	<u>.063</u>	<u>.063</u>	
Total Annual Return	133,580	87,112	
Number of Days in Period	<u>197/366</u>	<u>197/366</u>	
Adjusted Annual Return	71,900	46,888	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	71,900	46,888	
Depreciation Expense	31,760	21,221	
Amortization Expense	1,041	520	
Capital Related Income Offsets	(27)	(13)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	104,674	68,616	\$173,290
Total Patient Days (Minimum 90% Occupancy)	<u>15,603</u>	<u>7,801</u>	<u>23,404</u>
Cost of Capital Per Diem	\$ <u>6.71</u>	\$ <u>8.80</u>	\$ <u>7.40</u>

HERMINA TRAEYE NURSING CENTER, INC.
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended June 30, 2000
 For the Contract Period July 1, 2000 Through September 30, 2000
 AC# 3-HER-F0

	<u>Old Beds</u>	<u>New Beds</u>
6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$5.65	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>9.64</u>	\$ <u>8.80</u>
Reimbursable Cost of Capital Per Diem		\$7.40
Cost of Capital Per Diem		<u>7.40</u>
Cost of Capital Per Diem Limitation		\$ <u>-</u>

HERMINA TRAEYE NURSING CENTER, INC.
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended June 30, 2000
 For the Contract Period October 1, 2000 Through September 30, 2001
 AC# 3-HER-F0

	<u>Old Beds</u>	<u>New Beds</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.3156</u>	<u>2.3156</u>	
Deemed Asset Value (Per Bed)	36,165	36,165	
Number of Beds	<u>88</u>	<u>44</u>	
Deemed Asset Value	3,182,520	1,591,260	
Improvements Since 1981	172,578	26,688	
Accumulated Depreciation at 6/30/00	<u>(1,143,694)</u>	<u>(189,681)</u>	
Deemed Depreciated Value	2,211,404	1,428,267	
Market Rate of Return	<u>.060</u>	<u>.060</u>	
Total Annual Return	132,684	85,696	
Number of Days in Period	<u>197/366</u>	<u>197/366</u>	
Adjusted Annual Return	71,417	46,126	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	71,417	46,126	
Depreciation Expense	31,760	21,221	
Amortization Expense	1,041	520	
Capital Related Income Offsets	(27)	(13)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	104,191	67,854	\$172,045
Total Patient Days (Minimum 90% Occupancy)	<u>15,603</u>	<u>7,801</u>	<u>23,404</u>
Cost of Capital Per Diem	\$ <u>6.68</u>	\$ <u>8.70</u>	\$ <u>7.35</u>

HERMINA TRAEYE NURSING CENTER, INC.
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended June 30, 2000
 For the Contract Period October 1, 2000 Through September 30, 2001
 AC# 3-HER-F0

	<u>Old Beds</u>	<u>New Beds</u>
6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$5.65	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>9.64</u>	\$ <u>8.70</u>
Reimbursable Cost of Capital Per Diem		\$7.35
Cost of Capital Per Diem		<u>7.35</u>
Cost of Capital Per Diem Limitation		\$ <u>-</u>

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